

SINGLE AUDIT

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**ENOCH PRATT FREE LIBRARY**

**A COMPONENT UNIT OF THE  
CITY OF BALTIMORE**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2003

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City of Baltimore  
Department of Audits

SINGLE AUDIT  
ENOCH PRATT FREE LIBRARY  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003

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ENOCH PRATT FREE LIBRARY  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003

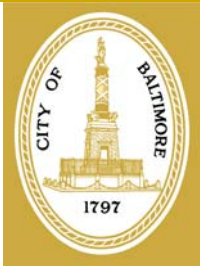
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## CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



## DEPARTMENT OF AUDITS

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### INDEPENDENT AUDITOR'S REPORT

December 12, 2003

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates of the  
City of Baltimore

Board of Trustees of the  
Enoch Pratt Free Library

We have audited the accompanying financial statements of the governmental activities, each major governmental fund and the aggregate remaining fund information of the Enoch Pratt Free Library, a component unit of the City of Baltimore, Maryland, as of and for the year ended June 30, 2003, which collectively comprise the Enoch Pratt Free Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Enoch Pratt Free Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund and the aggregate remaining fund information of the Enoch Pratt Free Library of the City of Baltimore, Maryland, as of June 30, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Special Revenue-Other Fund and Permanent Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Enoch Pratt Free Library's basic financial statements. The schedule of expenditures of federal awards on pages 36 and 37 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Enoch Pratt Free Library. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 12, 2003, on our consideration of the Enoch Pratt Free Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

## ENOCH PRATT FREE LIBRARY

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003

As management of the Enoch Pratt Free Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the financial statements, which can be found on pages 11 through 35 of this report.

#### Financial Highlights

- The assets of the Library exceeded its liabilities at the close of fiscal year 2003 by \$61,291,600 (*net assets*). Of this amount, \$7,240,700 (*unrestricted net assets*) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$749,100. This increase is attributable to an increase in capital assets due to acquisition of property for the Southeast Library and the purchase of books and equipment as well as a gain in the market value of our investments.
- As of the close of fiscal year 2003, the Library's governmental funds reported combined ending fund balances of \$24,217,500. Approximately 71 percent of this total amount, \$17,075,200 is *available for spending* at the Library's discretion (*unreserved fund balance*).
- At the end of fiscal year 2003, unreserved fund deficit for the General Fund was \$465,700.
- The Library's liability for compensated absences increased by \$60,700 (two percent) during the current fiscal year. The key factor in this increase was improved recruitment and retention of employees.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash*

*flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements report functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The Library has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Library include administrative and technical services, neighborhood services and the State Library Resource Center.

The Library is incorporated in the basic financial statements of the City of Baltimore as a blended component unit. The Library's government-wide financial statements include only the financial position and results of operation of the Library itself and are not intended to present fairly the financial position of the City of Baltimore taken as a whole. The Library has no component units.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and capital additions, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains four individual governmental funds. Information on all four funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and capital additions, and changes in fund balances.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

**Proprietary funds.** The Library maintains no proprietary funds.

**Fiduciary funds.** The Library maintains no fiduciary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 35 of this report.

**Other information.** The Library adopts annual appropriated budgets for its General Fund, Special Revenue–Other Fund and Permanent Fund. Budgetary comparison statements have been provided for each fund to demonstrate compliance with these budgets. Required supplementary information can be found on pages 16 through 18 of this report.

## Government-wide Financial Analysis

**Analysis of net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$61,291,600 at the close of fiscal year 2003.

By far the largest portion of the Library's net assets (66 percent) reflects its investment in capital assets (e.g., books, land, buildings, equipment, fine arts, and special collections). The Library uses these capital assets to provide services to citizens and users; consequently, these assets are *not* available for future spending.

### Enoch Pratt Free Library Net Assets

	<b>Governmental Activities</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Assets:</b>		
Current and other assets.....	\$ 26,688,000	\$ 26,861,300
Capital assets.....	40,152,500	39,059,800
Total assets.....	<u>66,840,500</u>	<u>65,921,100</u>
<b>Liabilities:</b>		
Liability for compensated absences.....	3,078,400	3,017,700
Other liabilities.....	2,470,500	2,360,900
Total liabilities.....	<u>5,548,900</u>	<u>5,378,600</u>
<b>Net assets:</b>		
Invested in capital assets.....	40,152,500	39,059,800
Restricted.....	13,898,400	13,345,100
Unrestricted.....	7,240,700	8,137,600
Total net assets.....	<u>\$ 61,291,600</u>	<u>\$ 60,542,500</u>

An additional portion of the Library's net assets (22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7,240,700) may be used to meet the Library's ongoing obligations to citizens, users, and creditors.

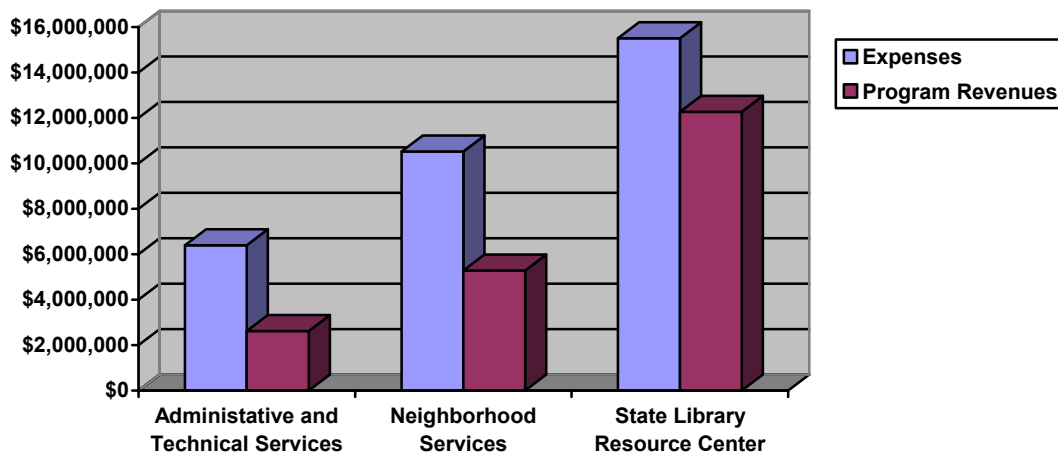


**Analysis of changes in net assets.** The Library's net assets overall increased by \$749,100 during fiscal year 2003. These increases are explained in the governmental activities discussion below and are primarily a result of an increase in revenues and an increase in ongoing expenses.

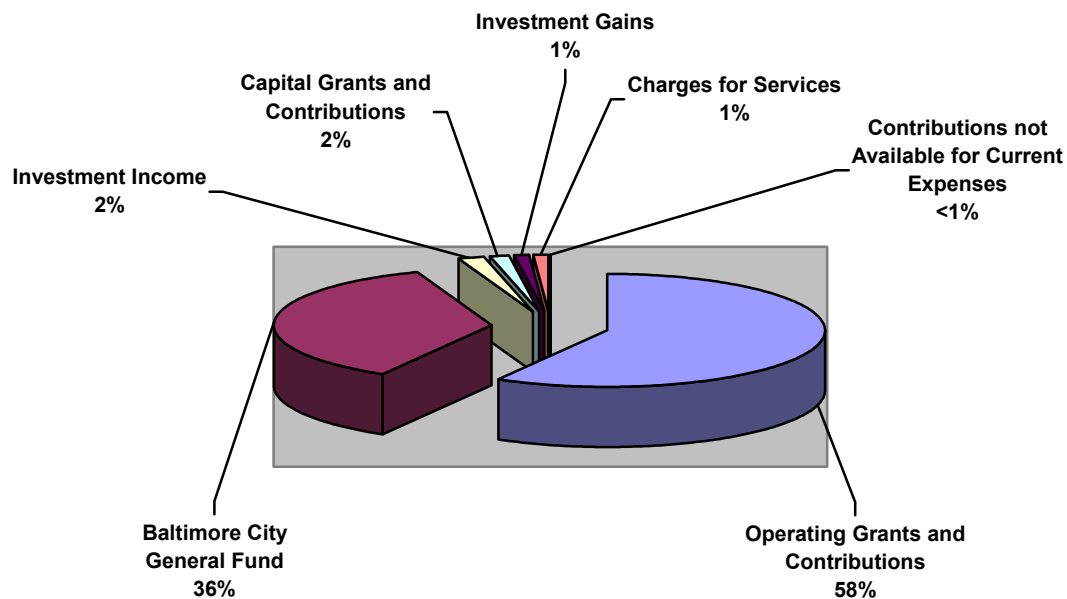
**Enoch Pratt Free Library  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Revenues</b>		
Program revenues:		
Charges for services.....	\$ 349,700	\$ 426,600
Operating grants and contributions.....	19,319,400	18,448,500
Capital grants and contributions.....	508,700	2,045,500
General revenues:		
Baltimore City general fund.....	12,044,500	12,102,800
Contributions not available for current expenses.....	10,800	647,200
Investment income.....	588,100	704,400
Net investment gains and losses.....	351,000	(2,989,100)
Total revenues.....	<u>33,172,200</u>	<u>31,385,900</u>
<b>Expenses</b>		
Administrative and technical services.....	6,400,800	6,624,400
Neighborhood services.....	10,520,600	10,381,400
State library resource center.....	15,501,700	14,477,000
Total expenses.....	<u>32,423,100</u>	<u>31,482,800</u>
Increase/(decrease) in net assets.....	749,100	(96,900)
Net assets at beginning of year.....	<u>60,542,500</u>	<u>60,639,400</u>
Net assets at end of year.....	<u><u>\$ 61,291,600</u></u>	<u><u>\$ 60,542,500</u></u>

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



**Governmental activities.** Key factors for the decrease in net assets of the Library's governmental activities are as follows:

- Grant revenue from state, federal and other sources increased by approximately \$570,500 or 3.5 percent in the aggregate, largely related to increases of state funding for the State Library Resource Center.
- Investments gained in fiscal year 2003 by \$351,000 compared to losses in the fiscal year ended June 30, 2002 of \$2,989,100, a difference of approximately \$3.3 million due to changes in market conditions.

- Support from the Baltimore City General Fund decreased by approximately \$58,300 or .5 percent during fiscal year 2003 due to budget reductions caused by economic conditions.
- Gifts, contributions and bequests decreased by approximately \$336,100 or 12 percent during fiscal year 2003 due to economic conditions.
- Library expenses increased, primarily due to increases in grant expenditures offset by a decrease in General Fund expenditures caused by continuing fiscal problems in the City of Baltimore.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Library's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Library include the General Fund, Special Revenue Funds, and the Permanent Fund.

As of the end of fiscal year 2003, the Library's governmental funds reported combined ending fund balances of \$24,217,500 a decrease of \$282,900 in comparison with the prior fiscal year. Approximately \$17,075,200 of this total amount constitutes unreserved fund balance, which is available for spending at the Library's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate existing contracts and purchase orders (\$2,285,300) or is unexpendable as required by endowment donors (\$4,857,000).

Revenues for governmental functions overall totaled approximately \$32,663,400 in the fiscal year ended June 30, 2003 which represents an increase of 11 percent from the fiscal year ended June 30, 2002. Expenditures for governmental functions, totaling \$32,946,300, increased by approximately two percent from the fiscal year ended June 30, 2002. In the fiscal year ended June 30, 2003, expenses for governmental functions exceeded revenues by approximately \$282,900, less than one percent.

The General Fund is the chief operating fund of the Library. At the end of fiscal year 2003, the unreserved fund deficit of the General Fund was \$465,700, while the total fund balance was \$1,819,600. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund deficit represents two percent of total General Fund expenditures of \$19,450,400, while total fund balance represents nine percent of that same amount.

The fund balance in the Library's General Fund decreased by \$407,200 during fiscal year 2003, primarily as a result of a reduction in encumbrances caused by timing differences.

### **General Fund Budgetary Highlights**

Differences between the original fiscal year 2003 budget and the final amended budget were relatively minor (\$695,000 decrease in appropriations) and can be briefly summarized as follows:

- There was a \$414,900 decrease in administrative and technical services appropriations.
- There was a \$24,700 decrease in neighborhood services appropriations.
- There was a \$255,400 decrease in State Library Resource Center appropriations.

During fiscal year 2003, the Library was required by the City to revert part of the budgeted appropriation, therefore expenditures were less than original budgetary estimates, resulting in a return to surplus of \$90,700.

### **Capital Asset Administration**

**Capital assets.** The Library's investment in capital assets for its governmental activities as of June 30, 2003, amounts to \$40,152,500 (net of accumulated depreciation). This investment in capital assets includes library books, land, buildings and improvements, equipment, fine arts and special collections. The total increase in the Library's investment in capital assets for the current fiscal year was three percent.

#### **Enoch Pratt Free Library Changes in Capital Assets - Net of Depreciation**

	<b>Governmental Activities</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
Library books and materials.....	\$ 18,100,400	\$ 17,446,700
Land.....	1,676,400	1,676,400
Buildings and improvements.....	5,438,700	5,688,700
Equipment.....	2,525,900	2,345,600
Construction in progress.....	11,029,900	10,521,200
Fine arts.....	1,061,800	1,061,800
Special collections.....	319,400	319,400
Total.....	<b><u>\$ 40,152,500</u></b>	<b><u>\$ 39,059,800</u></b>

Major capital asset events during fiscal year 2003 included the following:

- The acquisition of land for use in the construction of the Southeast Regional Library and the installation of fiber optic cable in library branches at a cost of \$.5 million.
- The acquisition of additional books and materials at a cost of \$3.4 million offset by depreciation expense of \$2.8 million.
- The acquisition of \$.6 million in equipment primarily for the Sailor Network offset by \$.5 million in depreciation.

### **Economic Factors and Next Year's Budget**

The stock market has rebounded well from last year's troubling downturn and the market value of the Library's investments has increased by over \$2.8 million as of this report. Unfortunately, private donations and governmental revenues have not followed suit. The Library's General Fund budget increased by only 1%, not nearly enough to cover the increased inflation associated with salary, fringe benefit, and books/materials costs. Our plan to address the budget shortfall calls for a significant curtailment of purchases of books, materials and equipment. In addition, the Library was notified recently of an operating

budget freeze, which will hamper our recruitment efforts and may require service reductions later in the year.

State funding is expected to increase by more than \$900,000 and will be utilized to support the additional cost of operating the new Central Annex opened in November 2003, increased Sailor operating costs, and other inflationary cost increases.

Private funding in fiscal year 2004 is expected to decrease as the effects of the last year's economic downturn continue to be felt. It is hoped that improvements in the economy and stock market will encourage potential donors in the latter half of the fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Gordon E. Krabbe  
Director, Administrative Services  
400 Cathedral Street  
Baltimore, Maryland 21201

## **BASIC FINANCIAL STATEMENTS**

**ENOCH PRATT FREE LIBRARY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**  
(Rounded to Nearest Hundred Dollars)

	<u>Governmental Funds</u>
<b>Assets:</b>	
Cash.....	\$ 600,600
Equity in City's Pooled Cash and Cash Equivalents.....	3,318,100
Investments (At Market).....	22,073,400
Gift Shop Inventory.....	26,100
Accounts Receivable - Due from Grantors.....	536,800
Accrued Interest and Dividends Receivable.....	100,800
Capital Assets (Net of Accumulated Depreciation):	
Buildings and Improvements.....	5,438,700
Equipment.....	2,525,900
Library Books and Materials.....	18,100,400
Capital Assets (Nondepreciable):	
Land.....	1,676,400
Fine Arts.....	1,061,800
Special Collections.....	319,400
Construction in Progress.....	11,029,900
Other Assets.....	32,200
<b>Total Assets.....</b>	<b><u>66,840,500</u></b>
<b>Liabilities:</b>	
Accounts Payable.....	882,200
Accrued Liabilities.....	1,145,300
Advances Payable - City's General Fund.....	302,500
Deferred Revenue - Advances from Grantors.....	140,500
Liability for Compensated Absences:	
Due Within One Year.....	1,026,600
Due in More than One Year.....	2,051,800
<b>Total Liabilities.....</b>	<b><u>5,548,900</u></b>
<b>Net Assets:</b>	
Invested in capital assets.....	40,152,500
Restricted:	
Nonexpendable.....	2,034,600
Expendable.....	11,863,800
Unrestricted:	
Nonexpendable.....	2,822,400
Expendable.....	4,418,300
<b>Total Net Assets.....</b>	<b><u>\$ 61,291,600</u></b>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003  
(Rounded to Nearest Hundred Dollars)**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Administrative and Technical Services.....	\$ 6,400,800	\$ 85,700	\$ 2,539,800	\$ (3,775,300)
Neighborhood Services.....	10,520,600	134,700	4,639,600	(5,237,600)
State Library Resource Center.....	15,501,700	129,300	12,140,000	(3,232,400)
<b>Total Governmental Activities</b>	<b>\$ 32,423,100</b>	<b>\$ 349,700</b>	<b>\$ 19,319,400</b>	<b>(12,245,300)</b>
<b>General Revenues:</b>				
Baltimore City General Fund.....				12,044,500
Contributions Not Available for Current Expenses.....				10,800
Investment Income.....				588,100
Net Investment Gains and (Losses).....				351,000
<b>Total General Revenues.....</b>				<b>12,994,400</b>
<b>Change in Assets.....</b>				<b>749,100</b>
<b>Net Assets - Beginning.....</b>				<b>60,542,500</b>
<b>Net Assets - Ending.....</b>				<b>\$ 61,291,600</b>

The notes to the basic financial statements are an integral part of this statement.



**ENOCH PRATT FREE LIBRARY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**  
(Rounded to Nearest Hundred Dollars)

	General Fund	Special Revenue - Grants	Special Revenue - Other	Permanent Fund	Total Governmental Funds
<b>Assets:</b>					
Cash.....	\$ 200,900	\$ 131,100	\$ 266,700	\$ 1,900	\$ 600,600
Equity in City's Pooled Cash and Cash Equivalents.....	3,318,100				3,318,100
Investments (At Market).....			17,017,300	5,056,100	22,073,400
Gift Shop Inventory.....			26,100		26,100
Accounts Receivable - Due from Grantors.....		536,800			536,800
Accrued Interest and Dividends Receivable.....			78,000	22,800	100,800
Due from Other Funds.....		33,700			33,700
Other Assets.....	19,100		13,100		32,200
<b>Total Assets.....</b>	<b>3,538,100</b>	<b>701,600</b>	<b>17,401,200</b>	<b>5,080,800</b>	<b>26,721,700</b>
<b>Liabilities and Fund Balances:</b>					
<b>Current Liabilities:</b>					
Accounts Payable.....	434,500	381,500	64,000	2,200	882,200
Accrued Liabilities.....	965,700	179,600			1,145,300
Advances Payable - City's General Fund.....	302,500				302,500
Due to Other Funds.....	15,800		17,900		33,700
Deferred Revenue - Advances from Grantors.....		140,500			140,500
<b>Total Current Liabilities.....</b>	<b>1,718,500</b>	<b>701,600</b>	<b>81,900</b>	<b>2,200</b>	<b>2,504,200</b>
<b>Fund Balances (Deficits):</b>					
<b>Reserved For:</b>					
Encumbrances.....	2,285,300				2,285,300
Principal Non-expendable, Income Restricted.....				2,034,600	2,034,600
Principal Non-expendable, Income Unrestricted.....				2,822,400	2,822,400
<b>Unreserved, Reported In:</b>					
General Fund.....	(465,700)				(465,700)
Principal Non-expendable, Income Restricted.....				137,800	137,800
Principal Non-expendable, Income Unrestricted.....				83,800	83,800
Principal Expendable, Income Restricted.....			11,726,000		11,726,000
Principal Expendable, Income Unrestricted.....			5,593,300		5,593,300
<b>Total Fund Balances .....</b>	<b>1,819,600</b>		<b>17,319,300</b>	<b>5,078,600</b>	<b>24,217,500</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 3,538,100</b>	<b>\$ 701,600</b>	<b>\$ 17,401,200</b>	<b>\$ 5,080,800</b>	

Amounts reported for governmental activities in the Statement of Net

Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 40,152,500

The Liability for Compensated Absences does not require the use of current financial resources and, therefore, is not reported in the funds. (3,078,400)

Net assets of governmental activities \$ 61,291,600

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CAPITAL ADDITIONS**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
(Rounded to Nearest Hundred Dollars)

	General Fund	Special Revenue - Grants	Special Revenue - Other	Permanent Fund	Total Governmental Funds
<b>Support and Revenue:</b>					
<b>Support:</b>					
Baltimore City - General Fund.....	\$ 12,044,500				\$ 12,044,500
Federal Grants.....		\$ 440,100			440,100
State Grants.....	5,533,600	9,251,100			14,784,700
Other Grants.....		677,200			677,200
Fringe Benefits Paid Directly By the State.....	1,047,000				1,047,000
Gifts, Contributions and Bequests.....			\$ 2,342,100	\$ 28,200	2,370,300
<b>Total Support.....</b>	<b>18,625,100</b>	<b>10,368,400</b>	<b>2,342,100</b>	<b>28,200</b>	<b>31,363,800</b>
<b>Revenue:</b>					
Fines, Fees and Other.....	306,200		43,500		349,700
Investment Income.....			370,100	106,100	476,200
Interest from Enoch Pratt Endowment.....	111,900				111,900
<b>Total Revenue.....</b>	<b>418,100</b>		<b>413,600</b>	<b>106,100</b>	<b>937,800</b>
<b>Total Support and Revenue.....</b>	<b>19,043,200</b>	<b>10,368,400</b>	<b>2,755,700</b>	<b>134,300</b>	<b>32,301,600</b>
<b>Expenditures:</b>					
Administrative and Technical Services.....	5,368,200	33,500	833,300	6,600	6,241,600
Neighborhood Services.....	8,624,400	701,200	1,338,700	10,500	10,674,800
State Library Resource Center.....	5,457,800	9,633,700	931,700	6,700	16,029,900
<b>Total Expenditures.....</b>	<b>19,450,400</b>	<b>10,368,400</b>	<b>3,103,700</b>	<b>23,800</b>	<b>32,946,300</b>
<b>Excess (Deficiency) of Revenue and Support over Expenditures before Capital Additions.....</b>	<b>(407,200)</b>		<b>(348,000)</b>	<b>110,500</b>	<b>(644,700)</b>
<b>Capital Additions:</b>					
Gifts, Contributions and Bequests.....			10,800		10,800
Gain on Investments.....			271,800	79,200	351,000
<b>Total Capital Additions.....</b>			<b>282,600</b>	<b>79,200</b>	<b>361,800</b>
<b>Excess (Deficiency) of Revenue, Support and Capital Additions over Expenditures.....</b>	<b>(407,200)</b>		<b>(65,400)</b>	<b>189,700</b>	<b>(282,900)</b>
<b>Fund Balances, Beginning of Year.....</b>	<b>2,226,800</b>		<b>17,384,700</b>	<b>4,888,900</b>	<b>24,500,400</b>
<b>Fund Balances, End of Year.....</b>	<b>\$ 1,819,600</b>		<b>\$ 17,319,300</b>	<b>\$ 5,078,600</b>	<b>\$ 24,217,500</b>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY**  
**RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUE,**  
**EXPENDITURES AND CAPITAL ADDITIONS**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Rounded to Nearest Hundred Dollars)**

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ (282,900)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,092,700
The Liability for Compensated Absences does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. This is the amount by which the liability changed in the current period.	<u>(60,700)</u>
Change in net assets of governmental activities (page 12)	<u><u>\$ 749,100</u></u>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CAPITAL ADDITIONS**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Rounded to Nearest Hundred Dollars)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Support and Revenue:</b>				
<b>Support:</b>				
Baltimore City - General Fund.....	\$ 13,314,100	\$ 12,619,100	\$ 12,044,500	\$ (574,600)
State Grants.....	5,452,000	5,452,000	5,533,500	81,500
Fringe Benefits Paid Directly By the State.....	1,047,000	1,047,000	1,047,000	
<b>Total Support.....</b>	<b>19,813,100</b>	<b>19,118,100</b>	<b>18,625,000</b>	<b>(493,100)</b>
<b>Revenue:</b>				
Fines, Fees and Other.....	275,000	275,000	306,200	31,200
Interest from Enoch Pratt Endowment.....	137,000	137,000	111,900	(25,100)
<b>Total Revenue.....</b>	<b>412,000</b>	<b>412,000</b>	<b>418,100</b>	<b>6,100</b>
<b>Total Support and Revenue.....</b>	<b>20,225,100</b>	<b>19,530,100</b>	<b>19,043,100</b>	<b>(487,000)</b>
<b>Expenditures:</b>				
Administrative and Technical Services.....	5,893,800	5,478,900	5,211,600	267,300
Neighborhood Services.....	8,716,100	8,691,400	8,685,600	5,800
State Library Resource Center.....	5,615,200	5,359,800	5,389,000	(29,200)
<b>Total Expenditures.....</b>	<b>20,225,100</b>	<b>19,530,100</b>	<b>19,286,200</b>	<b>243,900</b>
<b>Excess of Revenue, Support and Capital Additions over Expenditures.....</b>			<b>(243,100)</b>	<b>(243,100)</b>
<b>Fund Balances, Beginning of Year.....</b>			<b>144,700</b>	<b>144,700</b>
<b>Fund Balances (Deficits), End of Year.....</b>			<b>\$ (98,400)</b>	<b>\$ (98,400)</b>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CAPITAL ADDITIONS**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE - OTHER**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Rounded to Nearest Hundred Dollars)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Support and Revenue:</b>				
<b>Support:</b>				
Gifts, Contributions and Bequests.....	\$ 3,587,000	\$ 3,587,000	\$ 2,353,000	\$ (1,234,000)
<b>Total Support.....</b>	<b>3,587,000</b>	<b>3,587,000</b>	<b>2,353,000</b>	<b>(1,234,000)</b>
<b>Revenue:</b>				
Fines, Fees and Other.....	87,000	87,000	43,500	(43,500)
Investment Income.....	435,400	435,400	386,300	(49,100)
<b>Total Revenue.....</b>	<b>522,400</b>	<b>522,400</b>	<b>429,800</b>	<b>(92,600)</b>
<b>Total Support and Revenue.....</b>	<b>4,109,400</b>	<b>4,109,400</b>	<b>2,782,800</b>	<b>(1,326,600)</b>
<b>Expenditures:</b>				
Administrative and Technical Services.....	1,432,400	1,432,400	830,400	602,000
Neighborhood Services.....	2,044,400	2,044,400	1,332,200	712,200
State Library Resource Center.....	1,197,200	1,197,200	926,400	270,800
<b>Total Expenditures.....</b>	<b>4,674,000</b>	<b>4,674,000</b>	<b>3,089,000</b>	<b>1,585,000</b>
<b>Excess (Deficiency) of Revenue and Support over Expenditures before Capital Additions.....</b>	<b>(564,600)</b>	<b>(564,600)</b>	<b>(306,200)</b>	<b>258,400</b>
<b>Capital Additions:</b>				
Gain on Investments.....			271,700	271,700
<b>Total Capital Additions.....</b>			<b>271,700</b>	<b>271,700</b>
<b>Deficiency of Revenue, Support and Capital Additions over Expenditures.....</b>	<b>(564,600)</b>	<b>(564,600)</b>	<b>(34,500)</b>	<b>530,100</b>
<b>Fund Balances, Beginning of Year.....</b>	<b>17,339,800</b>	<b>17,339,800</b>	<b>17,339,800</b>	
<b>Fund Balances, End of Year.....</b>	<b>\$ 16,775,200</b>	<b>\$ 16,775,200</b>	<b>\$ 17,305,300</b>	<b>\$ 530,100</b>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CAPITAL ADDITIONS**  
**AND CHANGES IN FUND BALANCES**  
**PERMANENT FUND**  
**YEAR ENDED JUNE 30, 2003**  
**(Rounded to Nearest Hundred Dollars)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Support and Revenue:</b>				
<b>Support:</b>				
Gifts, Contributions and Bequests.....			\$ 28,200	\$ 28,200
Total Support.....			28,200	28,200
<b>Revenue:</b>				
Investment Income.....	\$ 122,100	\$ 122,100	112,400	(9,700)
Total Revenue.....	122,100	122,100	112,400	(9,700)
Total Support and Revenue.....	122,100	122,100	140,600	18,500
<b>Expenditures:</b>				
Administrative and Technical Services.....	37,400	37,400	6,000	31,400
Neighborhood Services.....	53,400	53,400	9,600	43,800
State Library Resource Center.....	31,300	31,300	6,100	25,200
Total Expenditures.....	122,100	122,100	21,700	100,400
Excess of Revenue and Support over Expenditures before Capital Additions.....			118,900	118,900
<b>Capital Additions:</b>				
Gain on Investments.....			79,200	79,200
Total Capital Additions.....			79,200	79,200
Excess of Revenue, Support and Capital Additions over Expenditures.....			198,100	198,100
Fund Balances, Beginning of Year.....	4,860,000	4,860,000	4,860,000	
Fund Balances, End of Year.....	\$ 4,860,000	\$ 4,860,000	\$ 5,058,100	\$ 198,100

The notes to the basic financial statements are an integral part of this statement.

# **ENOCH PRATT FREE LIBRARY**

## **Notes to the Basic Financial Statements**

**June 30, 2003**

### **1. Summary of significant accounting policies**

#### **A. Reporting Entity**

Maryland law created the Enoch Pratt Free Library (Library) in 1882, which enabled the City of Baltimore (City) to accept a donation from Enoch Pratt to establish "The Enoch Pratt Free Library of Baltimore City." The City owns the Library buildings, however a self-perpetuating Board of Trustees administers its operations. In 1971, the Maryland General Assembly designated the Library as the State Library Resource Center.

The Library receives funds from the City and State in the form of appropriations and grants, private donations, gifts and grants made directly to the Board of Trustees, as well as an endowment from the Enoch Pratt Trust Fund. The City's Department of Finance operates as a service agency for the Library, providing such services as general accounting, payroll, disbursements and other services. The Library is subject to the budgetary control and expenditure authorization of the City concerning the appropriations included in the General Fund of the Library.

The Library is incorporated in the basic financial statements of the City as a blended component unit in accordance with criteria established by the Governmental Accounting Standards Board.

Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on the aforementioned criteria, there are no component units for which the Library exercises oversight authority.

The basic financial statements of the Library are prepared from the records of the City and the Library. The governmental fund statements pertain to the operations of the Library and do not reflect those activities related to capital projects or debt service, as these are the responsibility of the City and reflected in its basic financial statements. The accounting and financial reporting policies of the Library included in this report conform to accounting principles generally accepted in the United States of America and reporting standards as promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

These basic financial statements, as presented, reflect only the financial position and results of operations of the Library. They are not intended to present fairly the

## ENOCH PRATT FREE LIBRARY

### Notes to the Basic Financial Statements (Continued)

financial position of Baltimore City taken as a whole or the results of its operations in conformity with accounting principles generally accepted in the United States of America.

#### **B. Basis of Presentation, Basis of Accounting**

##### **Basis of Presentation**

*Entity-wide Statements.* The statement of net assets and the statement of activities display information about the overall financial position and activities of the Library. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Library are primarily financed through property taxes, intergovernmental revenues, and other non-exchange transactions. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place.

Program revenues include: (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the Library's governmental funds. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Expenditures expected to be paid from currently available resources are recorded when the related fund liability is incurred, except for payments for compensated absences, which are recognized as expenditures when paid.

The Library reports the following major governmental funds:

*General Fund.* This is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

*Special Revenue-Grants.* These funds account for revenues derived from certain governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

*Special Revenue-Other.* The proceeds include the expendable portion of gifts and endowments received by the Library.



## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements**

(Continued)

*Permanent Fund.* The proceeds include the non-expendable portion of the Library's Endowment Fund.

#### **Measurement Focus, Basis of Accounting**

*Entity-wide Financial Statements.* The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenue which have a 120-day availability period. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of the grant agreements, the Library funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Library's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants, and then by general revenues.

#### **C. Specific Accounting Practices**

##### **Equity in the City's Pooled Cash**

Except for the Library Trustees' endowment investments, the City of Baltimore has custody of Library funds. The cash balances of City funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2003, based on market prices. The individual funds' portions of the pool's fair value are presented as "Equity in the City's Pooled Cash."

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements (Continued)**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits, as well as overnight investments.

#### **Inventories**

Gift Shop inventory is valued at cost.

#### **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Building Improvements	20-50 years
Equipment	5 years
Library Books and Materials	10 years

The Library's policy is to capitalize fixed assets with a cost basis of \$5,000 or more.

#### **Endowments**

The Library's Endowment is composed of the following four types of funds:

- (1) Principal Expendable, Income Restricted.
- (2) Principal Expendable, Income Unrestricted.
- (3) Principal Unexpendable, Income Restricted.
- (4) Principal Unexpendable, Income Unrestricted.

The last two funds are permanent endowments for which donors have stipulated as a condition of the gift that the principal be maintained in perpetuity. The terms of the gift will stipulate how earnings are to be used, either for some restricted purpose or used for unrestricted purposes. In accordance with classic trust law, the Library follows the policy of allocating gains and losses from appreciation or depreciation to the principal.

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements**

(Continued)

#### **Compensated Absences**

The liability for compensated absences reported in the government-wide fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

#### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. Encumbrances are treated as reservations of fund balances in this fund because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in the General Fund budgetary basis statement.

#### **Sick, Vacation and Personal Leave**

Employees earn one day of sick leave for each completed month of service and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick leave days accumulated and unused at the day of separation or one day's pay for every three such days, depending on the employee's bargaining unit. Under any other such conditions of separation, unused sick leave is forfeited. Sick leave benefit expenditures are not recorded until paid, except that vested and expected to be vested unused sick leave is recorded when leave is earned in the entity-wide statements. The liability is not expected to be reduced in the succeeding year.

The professional and certain other employees of the Library, which comprise the majority of the employees, may accumulate a maximum of 108 vacation and personal leave days depending on length of service. The administrative and supervisory employees may accumulate a maximum of 216 vacation and personal leave days depending upon length of service. The leave may be taken through time off or carried until paid upon termination or retirement. Accumulated vacation and personal leave is recorded in the entity-wide statements. This liability is not expected to be reduced in the succeeding year.

# **ENOCH PRATT FREE LIBRARY**

## **Notes to the Basic Financial Statements (Continued)**

### **Fund Equity**

In the fund financial statements, funds report reservations of fund balances for accounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The following is a description of the reservations in the governmental fund financial statements:

Reserved for encumbrances – Encumbrances outstanding at year-end represent the estimated amount the Library intends to honor as a commitment regardless of the lapse in appropriation.

Reserved for non-expendable restrictions – Certain assets, primarily investments, do not represent expendable available financial resources. Therefore a portion of fund equity is reserved to offset the balance of these assets.

### **Interfund Transactions**

Transfers of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

## **2. Budgetary Data**

Annual budgets are adopted for the General Fund, all Special Revenue Funds, except for Grants Revenue Funds, and the Permanent Fund on a basis consistent with accounting principles generally accepted in the United States of America, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

The Library's General Fund results from Baltimore City's budget process. The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the financial statements:

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements (Continued)**

#### **Original Budget**

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends its recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.
- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.
- (7) The Library's Board of Trustees reviews and approves a Special Fund-Other and Permanent Fund budget at its June meeting.

#### **Final Budget**

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements**

(Continued)

over the ensuing fiscal year until utilized or cancelled.

- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders, which result in an operating or capital overrun, are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. None were required for the Library during fiscal year 2003. However, the Board of Estimates reduced the original Ordinance of Estimates resulting in a \$695,000 reduction to the Library's appropriations.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund, Special Revenue-Other Fund, and Permanent Fund. Final budgetary data excludes the amounts reserved for encumbrances for appropriate comparison to actual expenditures.

### **3. Reconciliation of Government-wide and Fund Financial Statements**

A summary reconciliation of the difference between total fund balance as reflected on the governmental funds balance sheet and the net assets for governmental activities as shown on the government-wide statement of net assets is presented on the face of the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of support, revenues, expenditures and capital additions and changes in fund balances, and change in net assets for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of support, revenue, expenditures and capital additions and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements (Continued)**

stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

#### **4. Deposits and Investments**

##### **A. Cash Deposits**

As of June 30, 2003, the carrying amount of the Library's bank deposits was \$600,600 and the respective bank balances totaled \$356,057. Of the total bank balance, \$200,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$156,057 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the Library.

##### **B. Investments**

The Library Board of Trustees is independent and has the authority to invest Library funds. The Board relies on an investment manager who is charged to use a generally conservative approach within guidelines set by the Board.

The Library investments are summarized below. Investment securities held by the Library are presented in the financial statements at fair market value at June 30, 2003, which approximates fair value. Real estate is valued at the most recent appraisal. The investments that are represented by specific identifiable investment securities, are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Library or its agent in the Library's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name.

**ENOCH PRATT FREE LIBRARY**  
Notes to the Basic Financial Statements  
(Continued)

The following schedule classifies the investments of the Library as of June 30, 2003, into the above noted categories:

	Category			Total Cost	Market Value
	1	2	3		
U.S. Treasury Securities	\$ 1,011,927			\$ 1,011,927	\$ 1,013,100
Corporate Stocks and Bonds	10,540,371			10,540,371	18,573,600
Foreign Government Bonds	408,857			408,857	468,800
Real Estate	163,809			163,809	163,800
	<u>\$ 12,124,964</u>	<u>-</u>	<u>-</u>	12,124,964	20,219,300
Mutual Funds				1,854,081	1,854,100
Total				<u>\$ 13,979,045</u>	<u>\$ 22,073,400</u>

These investments relate to the following funds:

	<u>Cost</u>	<u>Market</u>
Special Revenue-Other Funds	\$10,763,865	\$17,017,300
Permanent Funds	<u>3,215,180</u>	<u>5,056,100</u>
Totals	<u>\$13,979,045</u>	<u>\$22,073,400</u>

The Library had a realized gain of \$34,666 and an unrealized gain of \$316,311 or a net total gain (net of fees) of \$350,968 on Endowment Fund investments during fiscal year 2003. Cost for purposes of computing gain or loss is the historical cost of the individual investments.



# ENOCH PRATT FREE LIBRARY

## Notes to the Basic Financial Statements (Continued)

### 5. Capital Assets

Capital assets activity for the year ended June 30, 2003, was as follows:

#### Governmental Activities Capital Assets

<u>Class</u>	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
<b>Capital assets, not being depreciated</b>				
Land	\$ 1,676,400			\$ 1,676,400
Fine arts	1,061,800			1,061,800
Special collections	319,400			319,400
Construction in progress	10,521,200	\$508,700		11,029,900
Total capital assets, not being depreciated	13,578,800	508,700		14,087,500
<b>Capital assets, being depreciated</b>				
Buildings and improvements	12,251,100			12,251,100
Equipment	6,536,800	645,800		7,182,600
Library books and materials	29,488,000	3,445,300	\$1,571,400	31,361,900
Total capital assets, being depreciated	48,275,900	4,091,100	1,571,400	50,795,600
<b>Less depreciation for:</b>				
Buildings and improvements	6,562,400	250,000		6,812,400
Equipment	4,191,200	465,500		4,656,700
Library books and materials	12,041,300	2,791,600	1,571,400	13,261,500
Total accumulated depreciation	22,794,900	3,507,100	1,571,400	24,730,600
<b>Total capital assets, being depreciated, net</b>	25,481,000	584,000		26,065,000
<b>Governmental activities capital assets, net</b>	\$39,059,800	\$1,092,700		\$40,152,500

Depreciation expense was charged to functions/programs of the Library for the fiscal year ended June 30, 2003, as follows:

#### **Governmental activities:**

Administrative and Technical Services	\$ 113,900
Neighborhood Services	1,557,200
State Library Resource Center	<u>1,836,000</u>
Total	<u>\$3,507,100</u>

## ENOCH PRATT FREE LIBRARY

### Notes to the Basic Financial Statements (Continued)

#### 6. General Long-Term Obligations

Long-term liabilities and activity for the year ended June 30, 2003 were as follows:

##### Governmental Activities

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	<u>\$3,017,700</u>	<u>\$60,700</u>		<u>\$3,078,400</u>	<u>\$1,026,600</u>

Liquidations of compensated absences occur in the General Fund and Special Revenue-Grants Fund.

#### 7. Interfund Balances and Activity

##### A. Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2003:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue-Grants	General Fund	\$ 15,800
Special Revenue-Grants	Special Revenue-Other	<u>17,900</u>
		<u>\$ 33,700</u>

##### B. Transfers to/from Other Funds

There were no transfers to/from other funds at June 30, 2003.

#### 8. Leases

The Library has entered into leases for rental of various pieces of equipment. All leases contain cancellation provisions and are subject to annual appropriations by the City and State governments. During fiscal year 2003, rent and lease expenditures approximated \$204,551 for all types of leases, including significant short-term equipment rentals. These expenditures were made primarily from the General Fund.

# **ENOCH PRATT FREE LIBRARY**

## **Notes to the Basic Financial Statements (Continued)**

### **9. Retirement System**

#### **Plan Descriptions**

All employees of the Enoch Pratt Free Library, other than some clerical and professional employees who are members of the Maryland State Retirement System to which the City makes no contributions, are covered by the City of Baltimore's Employees' Retirement System (ERS).

The ERS is a cost-sharing multiple employer defined pension plan administered by the City of Baltimore Retirement System. ERS provides retirement, disability, and death benefits to plan members and beneficiaries. The plan is managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits may be amended only by the City Council. The Employees' Retirement System issues a publicly available financial report that includes financial and required supplementary information. That report may be obtained by writing to:

Baltimore City Retirement Systems  
Room 640, City Hall  
100 North Holliday Street  
Baltimore, Maryland 21202-3431

Certain ERS information is presented below from the most recent financial report and actuarial valuation available. These reports are dated June 30, 2003.

#### **Funding Policy**

The Baltimore City Code establishes the contribution requirements for plan members and the City. Employees hired on or after July 1, 1979 must join the non-contributory plan. Employees hired prior to July 1, 1979, contribute to the plan at a rate of 4% unless they elected to transfer to the non-contributory plan. The City contributes to the plan at a rate of 6.1% of covered payroll. During fiscal year 2003, the City's annual required contribution was \$17,736,030. The annual contribution rate was determined as part of the actuarial valuation dated June 30, 2001, using projected unit cost method. The actuarial assumptions included (a) 8.0% investment return rate and (b) projected salary increases ranging from 4.75% to 7.0%. Post retirement benefit increases are provided to those retirees and beneficiaries entitled to such benefits when the plan is determined at June 30 to have excess earnings. The actuarial value of plan assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar on an open-ended basis. The remaining amortization period at June 30, 2003 is 20 years.

## ENOCH PRATT FREE LIBRARY

### Notes to the Basic Financial Statements (Continued)

The following schedules present information for the entire Employees' Retirement System:

Three Year Trend Information  
(Dollars Expressed in Thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2001	\$ 16,592	100%
June 30, 2002	17,714	100%
June 30, 2003	17,736	100%

Schedule of Funding Progress  
(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2001	\$ 1,374,100	\$ 1,283,030	\$ (91,070)	107.1%	\$ 309,602	(29.4)%
June 30, 2002	1,365,617	1,271,606	(94,011)	107.4%	305,521	(30.8)%
June 30, 2003	1,408,545	1,374,748	(33,797)	102.5%	316,311	(10.7)%

## 10. Risk Management

The Library participates in the City's Risk Management Fund. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$250,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage

## **ENOC PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements (Continued)**

for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. During fiscal year 2003, the Library's share of the City's cost was \$2,715,668.

#### **11. Deferred Revenue**

Deferred revenue in the Special Revenue-Grants Fund is associated with grant funds received as of June 30, 2003, for which related expenditures have not been incurred or the expenditures have been incurred and the reimbursement funding is not available as of June 30, 2003.

#### **12. Postemployment Benefits**

Baltimore City administrative policy provides that post employment benefits, other than pension benefits, be provided to all employees of the City. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 2003, there were 19,556 retirees eligible for these benefits. The City reimburses approximately 63% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 84% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 2003, these postemployment benefits amounted to \$70,747,000. Since this amount includes employees from other City departments, none of these costs are charged to the Library.

#### **13. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements (Continued)**

#### **14. Fringe Benefits Paid Directly by the State of Maryland**

The State of Maryland, by agreement with the political subdivisions, mandates professional and certain other employees of the Library to join the Maryland State Teacher's Retirement System. The State is responsible for the payment of the pension costs for these individuals. The amount of pension contribution paid by the State for eligible Library employees approximated \$1,047,000 for fiscal year 2003. The State payments are based on an annual State budget appropriation and such payments could be rescinded if funds were not appropriated. These payments are also subject to possible State audit exceptions in subsequent fiscal years.

#### **15. Commitments and Contingencies**

The Library receives a substantial amount of its support from the State of Maryland and Baltimore City. A significant reduction in the level of support may have an effect on the Library's programs and activities.

The Library participates in several State and Federal grant programs. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the Library. As of June 30, 2003, the Library estimates that no material liabilities will result from such audits.

The Library may be party to legal proceedings which normally occur in its operations. The Library Board of Trustees utilizes the Baltimore City Law Department to address such proceedings. The legal proceedings, in the opinion of the City Solicitor, in general, are not likely to have a material impact on the financial statements of the Library.

#### **16. Promises to Give**

Contributions are recognized by the Library in the period received. Promises to give that are pledged to the Library but not received during the fiscal year, are expected to be received in subsequent periods and are therefore not reported in the financial statements. As of June 30, 2003 the Library had outstanding pledges of \$1,135,200, of which \$129,800 were pledged during fiscal year 2003.

## **ENOCH PRATT FREE LIBRARY**

### **Notes to the Basic Financial Statements (Continued)**

#### **17. Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Library's programs, principally in the areas of information services, programming, and support services. The value of these services, estimated to be \$277,974, has not been recorded in the accompanying financial statements.

#### **18. Income Tax Status**

Under applicable provisions of the Internal Revenue Code, the Library is not subject to income taxes except for unrelated business income, if any.

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**ENOCH PRATT FREE LIBRARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Grant Title</u>	<u>Federal I.D. Number</u>	<u>MSDE I.D. Number</u>	<u>C.F.D.A. Number</u>	<u>Expenditures</u>
<b>NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES (2)</b>				
<b>National Leadership Grants for Libraries</b>				
Direct Federal	ND-10026-01		45.312	<u>\$ 26,075</u>
Aid - Public Libraries				
Pass-through from MSDE		234143	45.310	125,066
		330334	45.310	9,000
		330683	45.310	<u>280,000</u>
Total Aid - Public Libraries				<u>414,066</u>
Total National Foundation on the Arts and the Humanities				<u><u>\$ 440,141</u></u>

See notes to the Schedule of Expenditures of Federal Awards.

# ENOCH PRATT FREE LIBRARY

## Notes to the Schedule of Expenditures of Federal Awards June 30, 2003

### 1. Active Awards

For the purposes of this report, the schedule of expenditures of federal awards includes any award, which incurred current fiscal year 2003 expenditures.

### 2. Scope of Testing

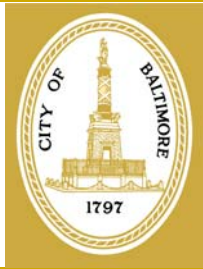
For an organization where the total federal awards expended is between \$300,000 and \$100,000,000, OMB Circular A-133 defines Type A major programs as federal programs with federal awards expended during the audit period exceeding the larger of \$300,000 or three percent of total federal awards expended. COMAR 13A.02.07.04B(2) further defines major federal programs for local boards that do not expend more than \$300,000 on a single CFDA number as programs for which federal expenditures during the applicable fiscal year exceed the larger of \$100,000 or 5% of total federal expenditures for all programs.

In accordance with the provisions of OMB Circular A-133, a risk-based approach was used to determine federal programs audited as major. For the fiscal year ended June 30, 2003, the Library administered one Type A program as defined above. Accordingly, the following Type A program has been determined to be a major program:

<u>Title</u>	<u>CFDA #</u>	<u>Expenditures</u>
Aid – Public Libraries	45.310	\$414,066

The Library expended 94% of its total expenditure of federal awards of \$440,141 under the above major program.

**AUDITOR'S REPORT ON COMPLIANCE**  
**AND**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**



AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

December 12, 2003

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates of the  
City of Baltimore

Board of Trustees of the  
Enoch Pratt Free Library

We have audited the financial statements of the Enoch Pratt Free Library as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Enoch Pratt Free Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Enoch Pratt Free Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected

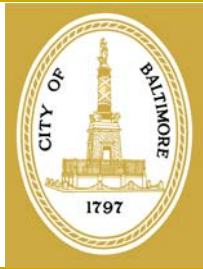
within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of Baltimore's and Enoch Pratt Free Library's management, the Federal cognizant agency and the Maryland State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

**AUDITOR'S REPORT ON**  
**COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO THE MAJOR PROGRAM**  
**AND**  
**INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**



AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

December 12, 2003

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates of the  
City of Baltimore

Board of Trustees of the  
Enoch Pratt Free Library

Compliance

We have audited the compliance of the Enoch Pratt Free Library with the types of requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The Enoch Pratt Free Library's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Enoch Pratt Free Library's management. Our responsibility is to express an opinion on the Enoch Pratt Free Library's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Enoch Pratt Free Library's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Enoch Pratt Free Library's compliance with those requirements.

In our opinion, the Enoch Pratt Free Library complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

The management of the Enoch Pratt Free Library is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Enoch Pratt Free Library's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of Baltimore's and Enoch Pratt Free Library's management, the Federal cognizant agency and the Maryland State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor



**AUDITOR'S SCHEDULE OF  
FINDINGS AND QUESTIONED COSTS**

ENOCH PRATT FREE LIBRARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2003

Section I – Summary of Auditor’s Results

**Part I – Basic Financial Statements**

Type of auditor’s report issued:

unqualified opinion

**Part II – Auditor’s Report on Compliance and on Internal  
Control over Financial Reporting**

Material weaknesses identified?

\_\_\_ yes X no

Reportable conditions identified not considered to be material weaknesses?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

**Part III – Auditor’s Report on Compliance with Requirements  
Applicable to each Major Program and on Internal  
Control over Compliance**

Internal control over major programs:

Material weaknesses identified?

\_\_\_ yes X no

Reportable conditions identified not considered to be material weaknesses?

\_\_\_ yes X none reported

Type of auditor’s report issued on compliance for major programs:

unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

\_\_\_ yes X no

Identification of major program:

CFDA Number  
45.310

Title  
Aid – Public Libraries (Pass-through from MSDE)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes \_\_\_ no

ENOCH PRATT FREE LIBRARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2003

**Section II – Findings Relating to the Library’s Financial Statements, which are Required to be Reported in Accordance with *Government Auditing Standards*.**

The results of the auditor’s tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. The auditor noted no matters involving the internal control over financial reporting and its operation that are considered to be material weaknesses and no deficiencies in internal control that are required to be reported under *Government Auditing Standards*.

**Section III - Findings and Questioned Costs for the Library’s Federal Awards, which are Required to be Reported in Accordance with OMB Circular A-133.**

The auditor found no instances of noncompliance with certain requirements applicable to the major federal program that are required to be reported in accordance with OMB Circular A-133. The auditor noted no matters involving the internal control over compliance and its operation that are considered to be material weaknesses and no deficiencies in internal control that are required to be reported under OMB Circular A-133.

**AUDITEE'S SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

ENOCH PRATT FREE LIBRARY  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2003

There were no findings in the Enoch Pratt Free Library single audit report for the fiscal year ended June 30, 2002.

**AUDITEE'S CORRECTIVE ACTION PLAN ON  
CURRENT AUDIT FINDINGS**

ENOCH PRATT FREE LIBRARY  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2003

There were no findings in the Enoch Pratt Free Library single audit report for the fiscal year ended June 30, 2003.